



GAS PRELIMINARY STATEMENT PART FK
RISK TRANSFER BALANCING ACCOUNT - GAS (RTBA-G)

Sheet 1

FK. Risk Transfer Balancing Account – Gas (RTBA-G)

1. PURPOSE: The purpose of the Risk Transfer Balancing Account – Gas (RTBA-G) is to track and record actual expenses compared to the adopted expenses for PG&E’s financial risk transfer costs (inclusive of all financial risk transfer mechanisms: insurance, reinsurance, catastrophe (CAT) bonds, captives and related costs such as broker fees and excise taxes) allocated to the gas distribution, transmission, and storage functions. Effective January 1, 2023, PG&E is authorized to recover up to \$156 million annually for non-wildfire liability commercial insurance policies, plus associated financial risk transfer expenses, with coverage up to a \$700 million coverage target. Beginning June 1, 2025, a portion of the annual funding and coverage is allocated to Non-Wildfire (NWF) Self-Insurance. Except as noted below for self-insurance, amounts in excess of this limit are tracked separately in the Additional Non-Wildfire Expenses Subaccount for subsequent review and approval by the Commission. (N)
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(N)

Effective January 1, 2023, PG&E is shifting to a 100% self-insurance framework for wildfire liability insurance for the 2023 GRC Period (2023-2026). This shift does not affect PG&E’s authority to collect the remaining, outstanding costs of commercial wildfire insurance that extend into and expire in 2023, which are not subject to the non-wildfire funding cap, allocated to the gas functions.

Effective June 1, 2025, PG&E is shifting a portion of its NWF liability commercial insurance policies to a NWF Self-Insurance Program. NWF self-insurance funding is subject to an Adjustment Mechanism, which could increase funding for this program above the adopted portion of funding allocated to this program. Increased funding resulting from the Adjustment Mechanism is not included in the adopted annual funding cap and is included in the Non-Wildfire Self-Insurance Subaccount. (N)
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(N)

This account is comprised of the following subaccounts: Third-Party Gas Subaccount, Additional Non-Wildfire Expenses Subaccount, and Non-Wildfire Self-Insurance Subaccount. (T)
(T)

The Third-Party Gas Subaccount tracks actual financial risk transfer costs associated with non-wildfire commercial policies up to \$156 million annually compared to adopted amounts that are allocated to the gas functions. Note that financial risk transfer expenses associated with the commercial policies are not subject to the cap. Financial risk transfer expenses related to commercial wildfire insurance policies that extend into and expire in 2023 will continue to be recorded to this subaccount, including true-ups to previously recorded expenses and are not subject to the non-wildfire funding cap. Disposition of the balance in this subaccount will be determined annually through the Core Fixed Cost Account (CFCA) and the Noncore Customer Class Charge Account (NCA) in the Annual Gas True-Up (AGT), or through a separate advice letter as authorized by the Commission. The balance in this subaccount will be allocated among the gas functions for true-up in rates based on the same allocation factors used to allocate the adopted expenses.

The Additional Non-Wildfire Expenses Subaccount tracks actual expenses above the adopted amount associated with non-wildfire liability insurance purchased from third parties allocated to the gas functions. PG&E will file an application seeking approval of any costs recorded to this subaccount. Upon approval, financial risk transfer costs recorded to this subaccount will be transferred to the CFCA and NCA. The balance in this subaccount will be allocated among the gas functions for true-up in rates based on the same allocation factors used to allocate the adopted expenses. (T)
(T)

(L)
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(L)

(Continued)



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Sheet 2

FK. Risk Transfer Balancing Account – Gas (RTBA-G) (Cont'd)

1. PURPOSE: (Cont'd)

The Non-Wildfire Self-Insurance Subaccount tracks adopted self-insurance funding plus investment income (net of incremental administrative expenses) less accrued NWF liability expenses covered by self-insurance and any other applicable self-insurance costs, which mean the same costs that have typically been covered by third-party, commercial insurance coverage including the cost of non-wildfire liability claims, judgments, settlements, court costs and associated legal fees (excluding the costs of PG&E's in-house counsel) for NWF Events paid through self-insurance allocated to the gas functions.

(N)

Funding of amounts in this subaccount is through CPUC jurisdictional gas distribution rates.

Self-insurance funding may not be greater than the amount that would achieve a total available self-insurance accrual of \$460 million at the end of the year.

Additionally, non-wildfire self-insurance expenses are subject to a deductible equal to 2.5% of up to \$460 million. The total amount of the deductible will not exceed \$11.5 million annually.

Disposition of the balance in this subaccount is at the end of the GRC. Determining the balance will depend, in part, on a true-up to reflect potential changes as the total amount of self-insurance costs paid for the 2023 GRC Period becomes known and finalized. Because of the lag time between a Non-wildfire Event and payment of claims from that event, this true-up may extend beyond the end of year 2026. The true-up will be handled through the Tier 2 Advice Letter, or as authorized by the Commission, as follows:

Undercollection: Subject to a cap of \$96 million per year, the undercollection shall be recovered as follows: 40% in 2027; 30% in 2028; and 30% in 2029. To the extent the \$96 million per year cap means the full undercollection for the 2023 GRC period is not fully recovered by the end of 2029, the remainder would be recovered in 2030.

Overcollection: Available for self-insurance as part of PG&E's next GRC insurance program with any remainder subject to disposition as the Commission may direct in its decision on PG&E's next GRC.

(N)

2. APPLICABILITY: The RTBA-G applies to all customer classes, except for those schedules or contracts specifically excluded by the Commission.

(L)

3. REVISION DATE: Disposition of balances in the subaccounts are included in the above descriptions of the subaccounts.

4. RATES: The RTBA does not have a rate component.

5. ACCOUNTING PROCEDURE: The following entries will be made at the end of each month, or as applicable, excluding an allowance for Revenue Fees and Uncollectible (RF&U) accounts expense:

(L)

(L)

(L)



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Sheet 3

FK. Risk Transfer Balancing Account – Gas (RTBA-G) (Cont'd)

5. ACCOUNTING PROCEDURE: (Cont'd)

(L)

THIRD-PARTY GAS SUBACCOUNT:

- a) A credit entry equal to one-twelfth of the adopted annual expense allocated to the gas functions;
- b) A debit entry equal to the actual expenses incurred and as allocated to this subaccount up to the annual adopted funding cap allocated to the gas functions, plus associated actual financial risk transfer expenses;
- c) An entry to record the transfer of amounts to or from other accounts as approved by the Commission; and
- d) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

ADDITIONAL NON-WILDFIRE EXPENSES SUBACCOUNT:

- a) A debit entry equal to the gas portion of actual expenses incurred above the adopted annual funding cap;
- b) An entry to record the transfer of amounts to or from other accounts as approved by the Commission; and
- c) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

(L)

NON-WILDFIRE SELF-INSURANCE SUBACCOUNT:

(N)

- a) A debit entry equal to the recorded accruals for self-insurance costs. The accrual will be revised to reflect actual expenses, once known;
- b) A credit entry equal to one-twelfth of the adopted annual self-insurance funding;
- c) A credit entry equal to investment income earned on self-insurance funds, net of applicable fees, as an offset to self-insurance costs;
- d) A credit entry equal to 2.5% of the annual recorded self-insurance liability expenses up to \$460 million as a deductible. The total amount of the deductible will not exceed \$11.5 million annually;
- e) A debit or credit entry equal to unanticipated costs or benefits associated with implementation and operation of the self-insurance program;¹

(N)

¹ Any amounts recorded to the account pursuant this entry will be identified and discussed in Tier 2 advice letter filings, where applicable.

(N)

(N)

(Continued)

